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1979 Annual Report
Westinghouse Canada Limited



1979 Annual Report

Year ended December 31, 1979

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While pursuing its most promising domestic business opportunities, other strategic thrusts of the company emphasize research and development and increased exports.

Current international activities are based in large part on world product mandates for certain technology-intensive product lines. These mandates provide responsibility for research and development, manufacture and world marketing.

At the Annual Meeting of shareholders to be held on 15 April 1980, action will be taken, as required by law, to continue the company's existence under the new Canada Business Corporations Act. As an incident of such continuance, the name of the company will be changed to Westinghouse Canada Inc. This name has been chosen because, among the alternatives permitted by the Canada Business Corporations Act, it alone satisfies the requirements of both the official languages of Canada without the need for translation.

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Head Office

Hamilton, Ontario

Auditors

Clarkson Gordon
Chartered Accountants
Hamilton, Ontario

Transfer Agent and Registrar

National Trust Company, Limited
Toronto, Ontario

Si vous désirez recevoir un exemplaire
français de ce rapport, veuillez écrire au
Secrétaire,
Westinghouse Canada Limitée,
c.p. 510, Hamilton, Ontario,
L8N 3K2

Financial Highlights

(Expressed in thousands except per share data)

	1979	1978
Sales	\$496,253	\$398,299
Income before extraordinary items	\$ 26,861	\$ 8,275
Net income	\$ 26,049	\$ 8,691
Shareholders' equity	\$146,465	\$125,783
Per share:		
Income before extraordinary items	\$10.01	\$3.08
Net income	\$9.71	\$3.24
Dividends	\$2.00	\$1.50
Book value	\$54.58	\$46.88



1979 Annual Report

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To reach the ruins of Machu Picchu, the lost city of the Incas, visitors face a long and hazardous trek. But thanks to Westinghouse Canada video terminals at the Lima, Peru airport (inset photo), there is instant access to airline flight schedules and seating information for a trip home — or to just about anywhere. The terminals are linked to an international computer reservation system and represent another product line for which Westinghouse Canada holds world-mandate responsibility.

This picture is part of one of the current series of corporate advertisements featuring high-technology products.



President's Report

To the Shareholders:

For Westinghouse Canada Limited, 1979 was a successful year. Sales and profit performance, to which all segments of the company contributed, strengthened our financial position. Strategic actions taken and major capital commitments made should ensure growing participation in domestic and export markets of the future.

Sales for the year were \$496 million and income before extraordinary items was \$26.9 million or \$10.01 per share, representing 5.4 cents profit on each sales dollar. Two extraordinary items, one relating to the tax treatment of pre-acquisition losses of our Longines-Wittnauer watch business and the other to decentralization of the production facilities of our switchgear and control business, combined to make net income \$26.0 million or \$9.71 per share after extraordinary items. Dividends of \$2.00 per share were declared and paid during 1979.

Export sales were \$84.2 million, with high-technology products predominating. Shipments were made to 88 countries. Orders entered for export exceeded \$100 million. Combined with increased emphasis on replacing imported materials and components with domestically-sourced goods, this performance improved the company's foreign trade account.

In recent years, Westinghouse Canada has embarked on programs that have increased its involvement in world markets beyond Canadian borders and have strengthened its participation in the domestic market. Canada's increasing trade deficit in finished manufactured goods suggests that many manufacturing sectors are weakening in competitive strength against world competitors. The electrical equipment sector has the opportunity to help reverse this trend, not just as a defensive

measure. It can launch the needed offense by exporting more high-technology products from its Canadian base.

No longer valid is the traditional assumption that competition in the international arena consists solely of other companies. Competitive units are now nation states. As a result, when our company seeks business in other countries we are not only pitted against other producers, we — and Canada — are competing against nations such as France, Germany and Japan.

Countries such as these work toward national goals which their business, government and labour institutions are all able to accept — goals like full employment, rising real standards of living, job security and more. Those who comprise their institutions have joined in a concerted effort to improve the lot of the total nation. One developed country after another has revitalized its domestic industry by concentrated effort in selected areas of technology to generate exports. It is now clear that Canada must do the same, particularly in those sectors that have the opportunity.

For example, the domestic market growth rate for industrial electrical equipment in all developed countries taken together was only 4 per cent during the 1970's and is forecast to be lower in the 1980's. On the other hand, the market in underdeveloped countries which import these electrical goods has been growing at a rate of 12.6 per cent per year. Hence the industrial electrical equipment sector is becoming more and more world-trade oriented.

Our own objective by the end of the decade is to reach half of company sales from products sold outside Canadian boundaries. A high proportion will come through world product mandates and rationalization.



Under a Westinghouse world product mandate the responsibility for research and development, design, manufacturing and marketing of a specific product or line of products resides in our company. Rationalization involves this company specializing in the manufacture of selected products which will be sold both in Canada and in the United States.

During the year, we announced two major investment commitments designed to improve our competitive position. In our switchgear and control business, production will be decentralized into new plants providing better customer service, improved market coverage and more efficient operations. The turbine business located in Hamilton will expand. It will be supported by the construction of a modern components plant in Renfrew, Ontario.

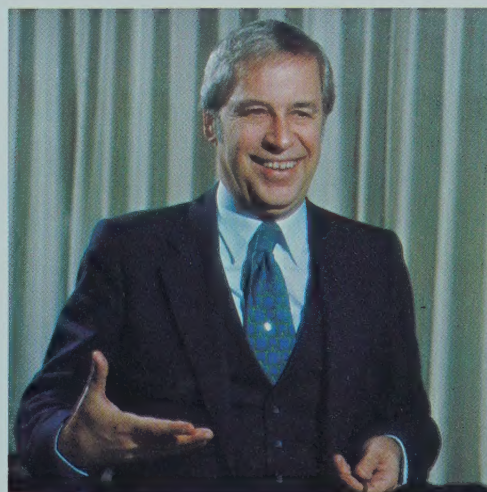
On December 11, G. C. Hurlbert and T. J. Murrin resigned from the Board of Directors. On the same date, J. C. Marous and D. D. Stark were elected to the Board. J. D. Keppy was elected to the office of Assistant Treasurer on July 17.

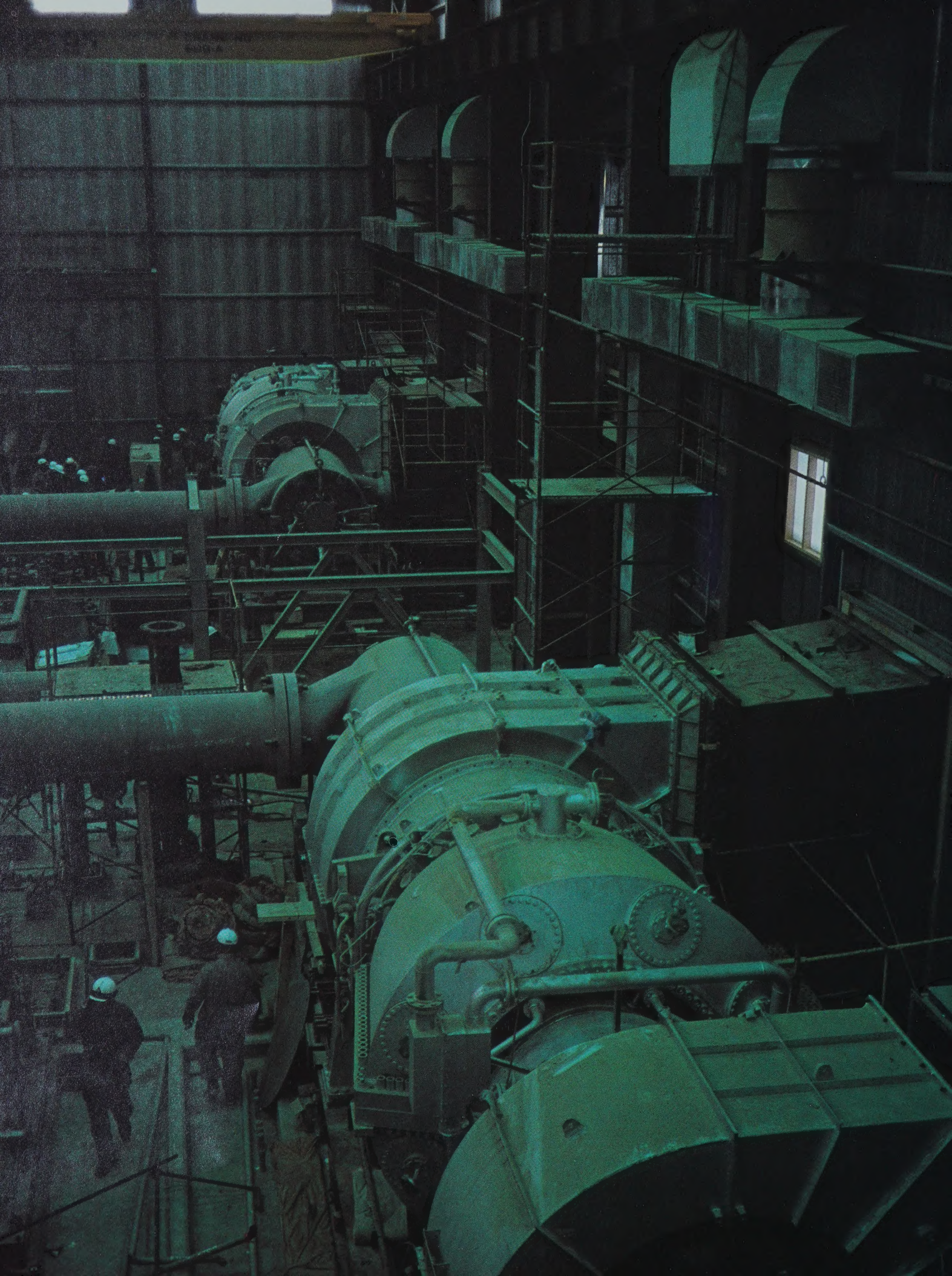
On behalf of the Board of Directors and the Officers, I would like to express our appreciation to all those employees who contributed to our fine results for the year 1979 and to encourage the continued effort of all employees to meet the challenges ahead for a strong and successful company.

F. H. Tyaack

President and
Chief Executive Officer

February 12, 1980







Power Systems Group

Transformer and Distribution Apparatus Division
Turbine and Generator Division
Atomic Power Division
Utility Sales Division

It was another good year for the Group, with each of its operations showing improved contribution to company profitability.

Among the many highlights were . . .

- Record sales by the turbine and generator business based at the Sanford Avenue plant in Hamilton. Exports continued to account for a high proportion of output and included initial shipments on an order for three additional W-191 gas turbine generator plants for Libya's Sarir land-reclamation project.
- A milestone order for two 35-megawatt steam turbines for a paper mill in the United States.
- Entry into service of the first Canadian-developed CW352 gas turbines at the Petro-Canada Exploration plant in Empress, Alta. and at Dow Chemical in Plaquemine, La., U.S.A.
- Announcement of turbine business expansion which includes building and equipping a large turbine components plant at Renfrew, Ont. The expansion program will create 329 new jobs in the Ottawa Valley community and another 150 new jobs in Hamilton.
- A high level of nuclear fuel production at Port Hope, Ont. Plant expansion there included completion of a new fuel and material-development laboratory. Improvements were made in health and safety facilities and procedures.
- Substantial new orders from Ontario Hydro for fuel fabrication and calandria tubes.
- Satisfactory back-integration at the Varrennes, Que. plant to include fuel sheath assemblies.
- Record production of power transformers at Beach Road plant in Hamilton, including shipments of large transformers to Hydro-Quebec's Baie James project, Ontario Hydro's Pickering and Bruce B projects, British Columbia Hydro's Portage Mountain development, and to utilities in Nova Scotia and New Brunswick.
- Key transformer orders from Calgary Power, B.C. Hydro, Hydro-Quebec and Saskatchewan Power, the latter for an interconnection with a U.S. utility system.
- New export business for London plant from customers in the Far East, Middle East and Caribbean countries.
- Record level of new orders booked by the Utility Sales Division from electric and pipeline utilities.

The Power Systems Group continued to show strength in the value of orders on the books at year-end.

Installing two Model CW352 gas turbines in Petro-Canada Exploration Inc.'s extraction plant at Empress, Alberta. Westinghouse Canada holds the world product mandate for these 35,000-hp Hamilton-developed turbines.





Industrial Products Group

Motor Division
Switchgear and Control Division
Industrial Products Division
Industry Services Division

The four businesses that comprise this Group continued to pursue their strategic initiatives as they moved at an accelerated pace toward appropriate positions within the corporate portfolio.

Of particular interest in 1979 . . .

- Continued progress by the motor business in gaining a stronger niche based on its own technology. Sales of large induction motors developed at the Beach Road plant in Hamilton were made world-wide and included orders from Jordan, Mexico, the Philippines and the U.S.
- Solid volume in domestic sales of standard motors followed the successful anti-dumping ruling in early 1979.
- Effective rebound from the effects of a long strike in 1978 at the Saint-Jean, Que. plant of the industrial products business. A \$5 million order for isolated phase bus duct for the Baie James Development justified expansion of manufacturing facilities for this product. Bookings were at record levels.

- A service agreement negotiated with Brissonneau and Lotz Marine S.A. of France, a manufacturer of deck machinery. This increases the range of marine service in the Great Lakes, on the St. Lawrence Seaway and on the Atlantic coast.
- Upgrading of facilities at Calgary, Alta. and Sept-îles, Que. to meet the growing service needs of users of heavy utility products and mining equipment.
- Involvement in energy-management programs of utilities and industrial customers through design of new electrical insulation and components, and by assisting in the upgrading and rehabilitating of power-generating apparatus.
- Expansion of the switchgear and control business into a multi-plant, market-centered operation to ensure future competitiveness. Plants at Vancouver and Calgary will be supported by new device plants at Alliston, Mount Forest and Perth, Ont. and at Air-drie, Alta. All plants will be linked through a distributed data processing network.

In summary, the group rebounded from the severe financial impact of prolonged work stoppages at many locations in 1978 to a position of growing dominance and strength.

Located 650 miles north of Montreal, Quebec, the vast Baie James hydro-electric development harnesses the power of La Grande Rivière. Westinghouse participation in the massive energy project involves the supply of the static excitation system controlling the alternators and the protection systems for the transmission lines, in addition to transformers, reactors and other electrical equipment. Photograph shows the "Hercules Steps" at the generating site — the overflow gates and outgoing canal. (Photo courtesy Société d'énergie de la Baie James).





Components and Construction Group

Lamp-Lighting Division
Electronic Systems Division
Air Conditioning Division
Elevator Division

Better performance of this Group of diversified businesses was achieved through continued consolidation of strengths, innovative approaches to domestic and international markets and new initiatives in communicating with employees at all levels.

For the Group, 1979 was marked by . . .

- Improved volume and costs in the lamp operations at Trois Rivières, Que. through further rationalization of lamp production with Westinghouse plants in the U.S.
- Ceramalux-4 and Ultralume lamps leading the marketing thrust to better serve industrial and commercial markets with energy-saving products.
- Winning of design awards for excellence in merchandising and graphics in "Starburst" packaging of lamps for the retail business.
- Sales of airport lighting systems and new energy-efficient interior and outdoor lighting products.
- Success of Canadian-developed Linatrol optical line-tracing controls and video display systems which accounted for a major share of total sales of the electronics business. Exports of these products to over 50 countries contributed strongly to increased employment and improved profitability at the Burlington, Ont. plant.
- Continued growth of the air conditioning business, headquartered in Oakville, Ont., achieved through expanded product lines and strong support for its dealer organization.
- Westinghouse heat pumps being recognized for their energy-saving features in both residential and commercial markets.
- Architectural Systems office furniture penetrating a broader segment of commercial and government markets.
- Strengthened sales and service activities of the elevator and escalator business.

Components and Construction Group sales increased over 1978 and products were exported to 63 countries. Contribution to company profitability showed marked gains.

Westinghouse streetlighting luminaires which are made in Granby, Quebec are seen today in many countries of the world. One of the latest installations of the company's high-pressure-sodium units is in the Kingdom of Morocco.





Overall, in both sales and profit contribution WESCO had a very satisfactory year.

Operating as a sales arm, as well as a distribution company, WESCO is chartered as a separate entity within the company to sell Westinghouse products and those of complementary product suppliers in order to serve the electrical needs of the industrial and construction markets. Markets for the electrical equipment and supplies sold by WESCO vary widely due to different rates of growth, needs and practices in the construction field, and the types and numbers of industries located in each geographical area served.

Regardless of their needs, WESCO assumes an undivided responsibility in the servicing of its customers. It does this through 700 employees at 38 locations across Canada.

In carrying out its assigned role, WESCO . . .

- Opened new branches in Nanaimo, B.C. and northeast Edmonton, Alta.
- Obtained a wide range of million-dollar project orders from across Canada. These involved product lines of all Westinghouse manufacturing divisions as well as cable, conduit and wiring devices from non-Westinghouse suppliers. This business related to the Fraser Inc. mill expansion at Edmundston, N.B.; the Toronto Transit Commission; the Dominion Foundries and Steel, Limited expansion program in Hamilton, Ont.; the Canadian government Taxation Data Centre in Winnipeg, Man.; the Alberta Tar Sands development, and pulp and paper mills in B.C.
- Increased its participation in exports by obtaining orders for all the electrics for the Bear Island pulp mill in Virginia, U.S.A. This business was placed by E. & B. Cowan, a Montreal-based pulp and paper consulting firm.

Through WESCO, Westinghouse Canada supplied most of the power transformers, switchgear, motor control, lighting and other electrical equipment now installed in the new Shell Canada petrochemical complex at Sarnia, Ontario. This installation represents WESCO's project-sales capabilities.





Information Systems

The site of the new headquarters for the company's Information Systems Department and its recently-purchased IBM 3031 computer is the latest phase of the Lloyd D. Jackson Square development in downtown Hamilton (facing page).

Occupying 19,000 square feet of space, the nerve centre for the company's expanding information network employs 65 people and is a showcase for ASD office furniture systems and other products marketed by Westinghouse Canada.

In September, more than 600 visitors attended a Family Day event (inset photo) to mark the official opening of the new facility.

Human Resources

Creation of programs through which Westinghouse people become better able to improve their effectiveness and enhance the quality of their working lives was the task assigned to an Organization Development Committee comprised of senior management. Projects were initiated to upgrade proven human-resources techniques and introduce innovative approaches. These initiatives and others developed in the future will assist materially in strengthening the performance of the company as a whole.

Scholarship Awards

A new Westinghouse Canada University Scholarship Program was announced under which six awards of \$3,000 each are available to children of employees. The three-year scholarships will go to students working toward degrees in engineering, applied science, chemistry, physics, mathematics, business administration or commerce.

A second educational program announced is the Westinghouse Canada Student Award Plan at Community Colleges. This provides up to 25 individual awards, each of \$200, for students across Canada.

Francization

For many years, Westinghouse Canada has recognized that the involvement of francophones and the use of the French language are both desirable and essential elements in the conduct of its business. About one-fifth of the company's employees, facilities and markets are to be found in the province of Quebec. The company is now well into its planned program that will lead to a permanent Francization certificate.

Productivity Council

At the end of 1979, Canada's manufacturing sector faced a negative trade balance of over \$17 billion. To overcome this deficit, industry must achieve a position of world-competitiveness.

Recognizing that greater productivity is essential to competitiveness, the company established a Productivity Council to act as a catalyst in improving corporate productivity through the actions of people and the effective use of technology. The council will be prepared to fund high-risk, first-time projects having transferrable productivity benefits.

Public Affairs

The Chief Executive Officer, the Chairman and other senior executives met frequently with federal and provincial government ministries to exchange views on a number of issues of the day. Discussions ranged through industrial strategy, research and development, international trade and energy. Senior people also assisted in the formulation of industry inputs to government through participation in the work of Sector Committees, Advisory Boards and Industry Associations.

Community Service

Westinghouse people are encouraged to take part in community affairs and to participate in public service, and educational, cultural and other worthwhile causes. Hundreds did in 1979, thus contributing to improvement of the quality of life in the many places where the company is a corporate citizen.



W.J. McNicol, F.H. Tyaack, E.A. Taylor



E.B. Priestner, G.O. Bernhardt, J. Nairn



D.I.W. Bruce, A.A. McArthur, C.A. Kain, J.K. Carman



Senior Executives of the Company

Management Committee

*F. H. Tyaack
*President and
Chief Executive Officer*

Vice Presidents

*G. O. Bernhardt
Components and Construction Group

*D. I. W. Bruce
Secretary and General Counsel

*J. K. Carman
Marketing and Strategic Resources

*C. A. Kain
Industrial Products Group

*W. J. McNicol
Power Systems Group

*J. Nairn
WESCO

*E. B. Priestner
Finance

*E. A. Taylor
Personnel

A. A. McArthur
Director, Corporate Communications

*Officers

Division Vice Presidents

*J. F. Ricketts
Lamp-Lighting Division

N. A. Bryson
Transformer and Distribution Apparatus Division

W. Kostyshyn
Turbine and Generator Division

C. F. MacNeil
Switchgear and Control Division

Other Officers

O. C. Shewfelt
Comptroller

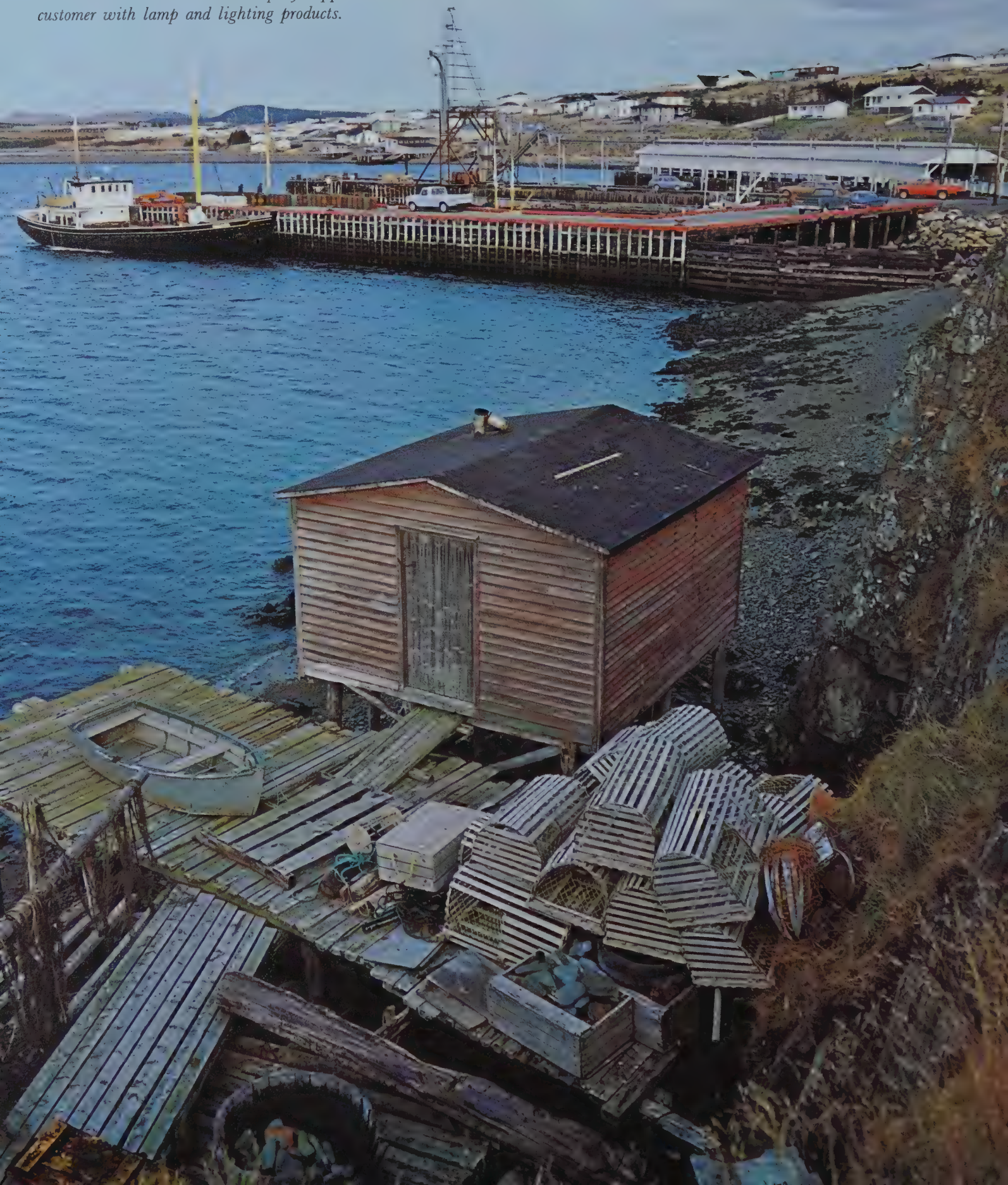
R. H. Broad
Treasurer

I. W. M. Hendry
Assistant Secretary

J. D. Keppy
Assistant Treasurer

Westinghouse is constantly seeking ways to satisfy the needs of its customers throughout the world and coast to coast in Canada.

Shown in the background is National Sea Products fish discharging facility, situated on the rugged Newfoundland coast at Arnold's Cove. The company supplied this valued customer with lamp and lighting products.





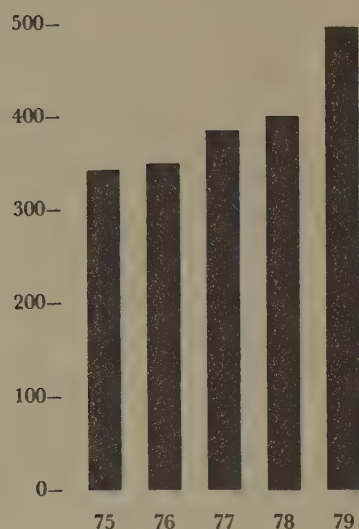
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Financial Review

Sales of Continuing Businesses

in millions of dollars

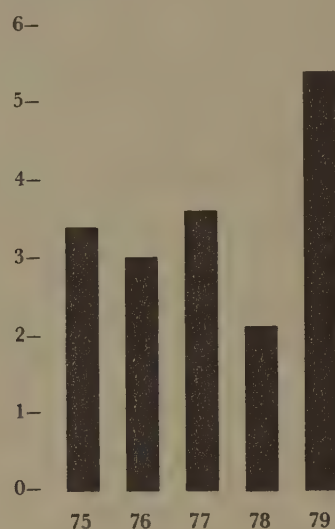


Sales in 1979 were \$496 million, 24.6% higher than the previous year. Orders entered kept pace with sales and at year-end the unfilled orders position was 25.8% higher than at the beginning of the year.

Income Per Sales Dollar

before extraordinary items

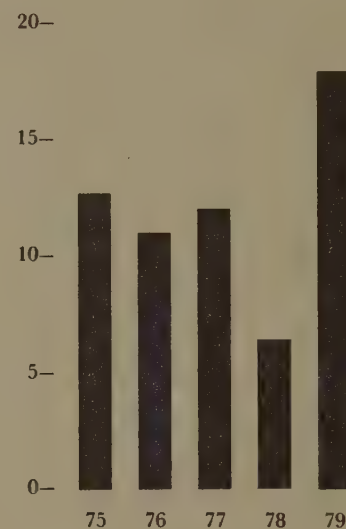
percentage



In 1979 income before extraordinary items was 5.4¢ per sales dollar resulting in earnings per share of \$10.01. 1978 reflects the effects of lengthy strikes at five manufacturing plants.

Return on Average Total Investment

percentage



In 1979, return on average total investment was 17.9%.

Average total investment is the average of shareholders' equity, long-term debt and bank indebtedness during the year.

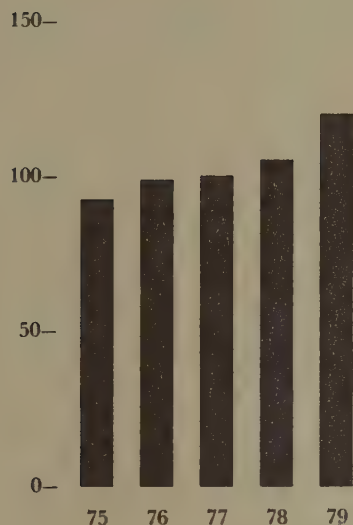
Return on average total investment means income before extraordinary items and before interest expense, less applicable income taxes, expressed as a percentage of average total investment.

All charts, except for the sales chart, reflect the results of both continuing and discontinued businesses.



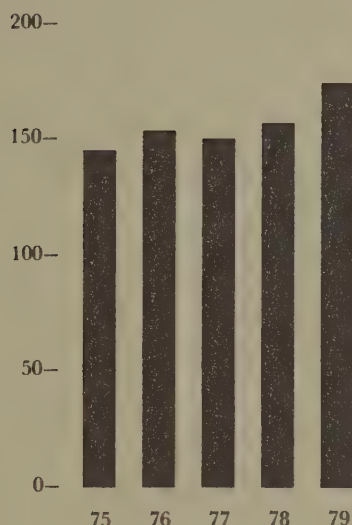
Working Capital

in millions of dollars



Total Financing

in millions of dollars



Working capital increased by \$14.9 million during 1979. The main source of funds was cash flow from operations of \$33.2 million.

Funds were used to acquire plant and equipment of \$9.5 million, to pay dividends of \$5.4 million and to reduce long-term debt by \$3 million.

The company is financed by shareholders' equity, long-term debt and deferred income taxes. At year-end these totalled \$174.6 million as indicated below:

	(in millions)	%
Shareholders' equity	\$146.5	83.9
Long-term debt	16.6	9.5
Deferred income taxes	11.5	6.6
Total financing	<u>\$174.6</u>	<u>100.0</u>

The capital charges relating to the above totalled \$6.2 million or 3.6% of total financing and consisted of dividends paid of \$5.4 million and interest expense of \$0.8 million (net of income taxes of \$0.6 million).



Accounting Principles and Policies

The significant accounting policies followed by the company are presented below to assist the reader in evaluating the financial statements and other information in this report. The policies conform to generally accepted accounting principles which have been consistently applied.

(a) Basis of consolidation: The consolidated financial statements include the accounts of three small wholly-owned companies.

(b) Revenue recognition: Sales are recognized when products are shipped or services rendered. If engineering and manufacturing estimates indicate a loss will be incurred on a contract, full provision is made for the estimated loss.

(c) Research and development: Research and development costs and patent costs are expensed when incurred.

(d) Inventories: Inventories are valued at the lower of cost and market less progress billings to customers. Cost is principally computed using currently adjusted standards which are developed for individual items on the basis of material, labour and overhead costs at normal activity levels on a first-in, first-out basis. Such standards approximate actual costs. Market is defined as follows:

Raw materials	— replacement cost
Work in process, finished goods and replacement parts	— net realizable value

(e) Plant and equipment: Plant and equipment is recorded at original cost less related government assistance. Expenditures for maintenance, repairs and tooling are charged against income when incurred.

Depreciation of plant and equipment is provided on the straight-line basis on the following life expectancies:

Buildings	— 25 and 40 years
Equipment	— principally over 10 years
Leasehold improvements	— over the term of the lease plus the first renewal option

All leases are accounted for as operating leases. The existing capital leases which are not reflected in the accounts would not have a material effect on the financial position or results of operations.

(f) Product and service guarantees: The company recognizes the estimated cost of guarantee obligations to its customers at the time of revenue recognition.

(g) Income taxes: The company follows the deferral method of tax allocation in accounting for income taxes. Under this method, timing differences between reported and taxable income (which occur when revenues and expenses recognized in the accounts in one year are taxed or claimed for tax purposes in another year) result in prepaid or deferred income taxes.

The statutory 3% inventory allowance for the effects of inflation is recognized as a reduction in the current income tax provision.

Investment tax credits resulting from investing in production plant and equipment are accounted for by reducing the liability for income taxes and the cost of fixed asset additions in the year of the addition.

(h) Retirement plans: Pension costs for current services are funded and charged against income each year; costs for past service arising from improvements in benefits are funded and charged against income over 15 years.



Consolidated Statement of Income

Years ended December 31 (expressed in thousands except per share data)

	1979	1978
Sales	\$496,253	\$398,299
Cost of sales excluding depreciation and interest	442,355	379,014
Depreciation	5,787	5,202
Interest expense less interest income of \$951 in 1979; \$291 in 1978	552	1,359
Income taxes — current	20,170	3,839
— deferred	528	610
	469,392	390,024
Income before extraordinary items	26,861	8,275
Extraordinary items (note 1)	(812)	416
Net income for year	\$ 26,049	\$ 8,691
Per share		
Income before extraordinary items	\$10.01	\$3.08
Net income for year	\$ 9.71	\$3.24

See accompanying notes to consolidated financial statements.

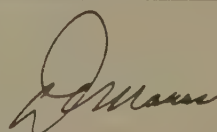


Consolidated Statement of Financial Position

At December 31 (expressed in thousands)

	1979	1978
Current assets		
Cash and short term deposits	\$ 13,926	\$ 7,176
Accounts receivable	84,069	71,921
Inventories (note 2)	114,110	86,900
Other current assets	1,994	2,348
Total current assets	214,099	168,345
Current liabilities		
Bank indebtedness	844	2,806
Accounts payable and accrued charges	78,211	57,186
Income and other taxes payable	12,500	2,275
Current portion of long-term debt (note 4)	2,229	633
Total current liabilities	93,784	62,900
Working capital	120,315	105,445
Plant and equipment (note 3)	52,659	48,966
Investments and other assets	1,593	1,921
Total investment	\$174,567	\$156,332
Financed by:		
Long-term debt (note 4)	\$ 16,590	\$ 19,565
Deferred income taxes	11,512	10,984
	28,102	30,549
Shareholders' equity		
Common shares (note 5)	14,947	14,947
Retained earnings	131,518	110,836
Total shareholders' equity	146,465	125,783
Net funds invested in the business	\$174,567	\$156,332

On behalf of the Board:

 Director

 Director

See accompanying notes to consolidated financial statements.



Consolidated Statement of Changes in Financial Position

Years ended December 31 (expressed in thousands)

	1979	1978
Source of funds		
Operations —		
Income before extraordinary items	\$ 26,861	\$ 8,275
Add charges not affecting working capital:		
Depreciation	5,787	5,202
Deferred income taxes	528	610
Funds provided from operations	33,176	14,087
Decrease in investments and other assets	328	(83)
Working capital of acquired company		2,220
Extraordinary item (note 1)		416
	33,504	16,640
Use of funds		
Plant and equipment additions	9,480	6,620
Dividends paid	5,367	4,025
Reduction in long-term debt	2,975	667
Extraordinary items (note 1)	812	
	18,634	11,312
Increase in working capital	14,870	5,328
Working capital beginning of year	105,445	100,117
Working capital end of year	\$120,315	\$105,445

See accompanying notes to consolidated financial statements.



Consolidated Statement of Segment Income

Years ended December 31 (expressed in thousands)

	1979		1978	
	Sales	Income	Sales	Income
Power Systems Group	\$141,117	\$ 19,366	\$123,311	\$ 11,588
Industrial Products Group	137,980	19,687	100,976	4,021
Components and Construction Group	108,025	5,556	85,453	1,455
WESCO	223,080	7,634	180,856	2,418
	610,202	52,243	490,596	19,482
Unallocated				
— inter-group sales eliminations	(117,193)		(94,276)	
— other revenue and common costs	3,244	(4,684)	1,979	(6,758)
	<u>\$496,253</u>	47,559	<u>\$398,299</u>	12,724
Income taxes		(20,698)		(4,449)
Income before extraordinary items		\$ 26,861		\$ 8,275

See accompanying notes to consolidated financial statements.



Consolidated Statement of Retained Earnings

Years ended December 31 (expressed in thousands except per share data)

	1979	1978
Balance at beginning of year	\$110,836	\$106,170
Add net income for year	26,049	8,691
Deduct dividends paid	136,885 5,367	114,861 4,025
Balance at end of year	\$131,518	\$110,836
Dividends paid per share	\$2.00	\$1.50

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 1979 and 1978

(1) Extraordinary items	1979	1978
	(in thousands)	
Provision for non-recurring costs relating to the decentralization of the production facilities of the Switchgear and Control business less related income tax savings of \$2,803,000	\$ (3,290)	—
Reduction of income taxes arising from application of pre-acquisition losses of Longines-Wittnauer Watch Co. Ltd.	2,478	—
Reduction of previous provisions for estimated losses on the disposition of the Household Appliance business after income taxes of \$320,000	—	\$ 416
	<u>\$ (812)</u>	<u>\$ 416</u>

(2) Inventories	1979	1978
	(in thousands)	
Raw materials, work in process and replacement parts	\$ 89,527	\$ 78,057
Finished goods	37,182	29,565
	126,709	107,622
Less progress billings	12,599	20,722
Net investment in inventory	<u>\$114,110</u>	<u>\$ 86,900</u>

(3) Plant and equipment		1979	1978	
		(in thousands)		
	Cost	Accumulated depreciation		
			Net	
			Net	
Land	\$ 3,196		\$ 3,196	\$ 2,467
Buildings	34,957	\$ 15,038	19,919	18,502
Equipment	78,406	49,699	28,707	27,447
Leasehold improvements	1,525	688	837	550
	<u>\$118,084</u>	<u>\$ 65,425</u>	<u>\$ 52,659</u>	<u>\$ 48,966</u>

(4) Long-term debt	1979	1978
	(in thousands)	
8% debentures maturing October 1, 1991 with annual minimum sinking fund requirements of \$667,000 (less debentures purchased for cancellation in advance of sinking fund requirements)	\$ 16,590	\$ 17,950
Non-interest bearing debt payable in 1980 to related corporation	2,229	2,248
	18,819	20,198
Less portion due within one year including balance of sinking fund requirements	2,229	633
	<u>\$ 16,590</u>	<u>\$ 19,565</u>

Interest on long-term debt amounted to \$1,433,000 in 1979 (\$1,525,000 in 1978). Unamortized debenture discount and issue expenses of \$254,000 (\$298,000 in 1978) are included in Investments and Other Assets in the Consolidated Statement of Financial Position.

(5) Common shares

Authorized — 3,600,000 shares of no par value, of which 2,683,389 are outstanding and fully paid.



(6) Retirement plans

Total pension expense for 1979 was \$9,640,000 compared to \$8,000,000 in 1978. Early in the year the company announced major improvements in pension benefits for most salaried employees. As a result of this amendment and other changes, the unfunded past service liability was increased by approximately \$5,860,000.

Independent actuarial evaluations indicate the total unfunded obligations of the two company-sponsored pension plans to be approximately \$37,964,000 as at December 31, 1979 (\$38,222,000 at December 31, 1978). All of these obligations are being funded according to government legislation over periods of not more than 15 years.

Summary of changes in pension plan assets

Years ended December 31	1979	1978
	(in thousands)	
Additions:		
Company contributions	\$ 9,640	\$ 8,000
Employee contributions	1,554	1,407
Income from investments	7,854	5,374
Net gain from disposal of assets	3,047	77
	<u>22,095</u>	<u>14,858</u>
Reductions:		
Benefit payments and refunds	5,276	4,472
Fees and expenses	184	149
	<u>5,460</u>	<u>4,621</u>
Net additions to trust funds	16,635	10,237
Market value at beginning of year	87,903	74,685
Unrealized increase in market value of assets	2,902	2,981
Market value at end of year	<u>\$107,440</u>	<u>\$ 87,903</u>

Statement of financial position

At December 31	1979	1978
	(in thousands)	
Bonds	\$ 34,812	\$ 24,526
Stocks	38,101	28,999
Mortgages and leasebacks	20,304	21,806
Short-term investments	12,958	10,038
	<u>106,175</u>	<u>85,369</u>
Cash and other assets	1,265	2,534
Total assets at market value	<u>\$107,440</u>	<u>\$ 87,903</u>

(7) Statutory information

The company is incorporated under the laws of Canada.

Remuneration of directors and senior officers:

Remuneration of thirteen senior officers including three directors (fourteen officers and three directors in 1978)	1979 (in thousands) \$ 1,349	1978 \$ 1,284
Remuneration of outside directors	33	29
Total remuneration of directors and senior officers	<u>\$ 1,382</u>	<u>\$ 1,313</u>



Five-Year Summary

(expressed in thousands of dollars except as otherwise noted*)

	1979	1978	1977	1976	1975
Condensed Statement of Income					
Sales — Continuing Businesses	\$ 496,253	398,299	380,842	350,168	341,740
— Household Appliances	\$ —	—	50,120	104,476	109,902
Total Sales	\$ 496,253	398,299	430,962	454,644	451,642
Income before extraordinary items	\$ 26,861	8,275	15,429	13,834	15,380
Extraordinary items	\$ (812)	416	—	(3,360)	—
Net income for year	\$ 26,049	8,691	15,429	10,474	15,380
Condensed Statement of Financial Position					
Working capital	\$ 120,315	105,445	100,117	99,012	92,388
Plant and equipment	\$ 52,659	48,966	47,520	52,849	50,576
Investments and other assets	\$ 1,593	1,921	1,838	1,787	2,113
Total investment	\$ 174,567	156,332	149,475	153,648	145,077
Financed by:					
Long-term debt	\$ 16,590	19,565	17,984	33,666	34,333
Deferred income taxes	\$ 11,512	10,984	10,374	11,342	10,105
Shareholders' equity	\$ 146,465	125,783	121,117	108,640	100,639
Net funds invested in the business	\$ 174,567	156,332	149,475	153,648	145,077
Condensed Statement of Changes in Financial Position					
Funds provided from operations (note B)	\$ 33,176	14,087	19,568	20,310	21,078
Expenditures for plant and equipment	\$ 9,480	6,620	7,674	7,512	5,923
Dividends paid	\$ 5,367	4,025	2,952	2,678	1,331
Per Share Data*					
Income before extraordinary items	\$10.01	\$3.08	\$5.75	\$5.16	\$5.76
Dividends paid	\$ 2.00	\$1.50	\$1.10	\$1.00	\$.50
Book value	\$54.58	\$46.88	\$45.14	\$40.49	\$37.71
General					
Number of common shares outstanding at year-end (in thousands)	2,683	2,683	2,683	2,683	2,669
Average number of employees* (note C)	7,000	7,300	7,400	9,700	10,000

Notes (A) 1975, 1976 and 1977 have been restated to conform with accounting principles used thereafter.

(B) Funds provided from operations consist of income before extraordinary items, depreciation and deferred income taxes provided in the year.

(C) Average number of employees includes employees of Household Appliances in 1975 and 1976.

Auditors' Report

Clarkson Gordon

Chartered Accountants

To the Shareholders of
Westinghouse Canada Limited:

We have examined the consolidated statement of financial position of Westinghouse Canada Limited as at December 31, 1979 and December 31, 1978 and the consolidated statements of income, retained earnings, segment income and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and December 31, 1978 and the results of its operations and changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Clarkson Gordon

Chartered Accountants
Hamilton, Canada
January 14, 1980

Board of Directors

D. C. Marrs

*Chairman of the Board
Westinghouse Canada Limited
Hamilton, Ontario*

D. I. W. Bruce

*Vice President and Secretary
Westinghouse Canada Limited
Hamilton, Ontario*

R. W. Campbell

*Chairman and Chief Executive Officer
PanCanadian Petroleum Limited
Calgary, Alberta*

A. T. Lambert

*Former Chairman of the Board
Toronto Dominion Bank
Toronto, Ontario*

J. C. Marous

*President, International
Westinghouse Electric Corporation
Pittsburgh, Pennsylvania*

B. Matthews

*Partner, McCarthy and McCarthy
Barristers and Solicitors
Toronto, Ontario*

M. J. McDonough

*Senior Executive Vice President
Corporate Resources
Westinghouse Electric Corporation
Pittsburgh, Pennsylvania*

W. P. Pigott

*President
Pigott Construction Limited
Hamilton, Ontario*

D. D. Stark

*Executive Vice President
Components and Materials
Westinghouse Electric Corporation
Pittsburgh, Pennsylvania*

F. H. Tyaack

*President and Chief Executive Officer
Westinghouse Canada Limited
Hamilton, Ontario*

F. C. Wallace

*Company Director
Toronto, Ontario*

L. W. Yochum

*Senior Executive Vice President, Finance
Westinghouse Electric Corporation
Pittsburgh, Pennsylvania*



D. C. Marrs
Chairman of the Board



D. I. W. Bruce



R. W. Campbell



A. T. Lambert



J. C. Marous



B. Matthews



M. J. McDonough



W. P. Pigott



D. D. Stark



F. H. Tyaack



F. C. Wallace



L. W. Yochum



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